

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EB-08 AID-05 CIAE-00 COME-00 FRB-03  
INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03 SP-02  
LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04 CEA-01  
/080 W

-----033333 011909Z /46

R 011817Z AUG 77  
FM AMEMBASSY BONN  
TO SECSTATE WASHDC 0255  
DEPARTMENT TREASURY  
INFO AMEMBASSY BRUSSELS  
AMEMBASSY PARIS

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USOECD, USEEC

DEPARTMENT PASS FEDERAL RESERVE

E.O. 11652: N/A  
TAGS: EFIN, GW  
SUBJECT: EMBASSY FORECAST OF 1977 GERMAN CURRENT ACCOUNT

1. BEGIN SUMMARY: ON THE BASIS OF THE REVISED GERMAN  
BALANCE OF PAYMENTS DATA FOR 1976 AND THE DEVELOPMENTS  
OF THE FIRST HALF OF 1977 THE EMBASSY SUBMITS THE  
FOLLOWING REVISED CURRENT ACCOUNT FORECAST FOR 1977:

EMBASSY FORECAST OF 1977 GERMAN CURRENT ACCOUNT  
(DM BILLION)

1976	1977	PERCENT CHANGE
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EXPORTS	256.6	279.7	9.0
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IMPORTS	222.2	241.7	8.7
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TRADE ACCOUNT	34.4	38.0
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TRADE ADJ.	-0.2	-1.0
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SERVICES	-8.0	-10.5
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TRANSFERS	-17.8	-18.5
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8.4 8.0

END SUMMARY.

2. OUR PROJECTION GENERALLY ENVISAGES THE SAME PATTERN WE FORESAW IN APRIL, I.E., A LARGER TRADE SURPLUS THAN IN 1976 OFFSET BY A LARGER INVISIBLES DEFICIT YIELDING A CURRENT ACCOUNT SURPLUS CLOSE TO LAST YEAR'S MAGNITUDE. THIS PATTERN IS REFLECTED IN THE RESULTS FOR THE FIRST HALF, ALTHOUGH BOTH EXPORT AND IMPORT GROWTH HAS BEEN SOMEWHAT SLOWER THAN HAD BEEN GENERALLY EXPECTED. CONTRARY TO EXPECTATIONS AT THE BEGINNING OF THE YEAR EXPORTS HAVE INCREASED FASTER THAN IMPORTS, REFLECTING THE SLOW GROWTH OF THE DOMESTIC ECONOMY AND THE SERVICES DEFICIT HAS BEEN SURPRISINGLY HIGH.

## GERMAN CURRENT ACCOUNT

(DM BILLION)

1ST HALF 1ST HALF PERCENT

1976 1977 CHANGE

EXPORTS	123.5	134.6	8.9
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IMPORTS	107.3	116.2	8.3
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TRADE ACCOUNT	16.2	18.4
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## SERVICES INCLUDING

TRADE ADJUSTMENT	-2.2	-4.6
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TRANSFERS	-8.5	-8.3
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5.5	5.5
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## 3. TRADE ACCOUNT:

TO DATE GERMAN FORECASTS, AS WELL AS THOSE OF MOST OTHER OFFICIAL INSTITUTIONS, CONTINUE TO PREDICT THAT PERCENTAGE GROWTH OF IMPORTS WILL SURPASS THAT OF EXPORTS FOR THE YEAR. WE BELIEVE THE OPPOSITE TO BE MORE LIKELY ALTHOUGH THE DIFFERENTIAL OF THE FIRST HALF IS LIKELY TO DIMINISH. FOR EXPORTS ALONE, WE EXPECT THAT IN THE REMAINDER OF THE YEAR APPROXIMATELY THE SAME GROWTH RATE WILL PREVAIL. EVEN ASSUMING ZERO GROWTH IN THE SECOND HALF OVER THE JUNE LEVEL OF EXPORTS, THE YEAR-OVER-YEAR GROWTH RATE WOULD BE 6.9 PERCENT. SINCE THERE IS NO INDICATION THAT EXPORTS HAVE PEAKED AND BECAUSE HISTORICALLY THE 4TH QUARTER IS THE YEAR'S STRONGEST, OUR 9.0 PERCENT GROWTH RATE FOR EXPORTS COULD BE ON THE CONSERVATIVE SIDE. ON THE IMPORT SIDE, WE EXPECT THAT SOME INCREASE

IN DOMESTIC GROWTH IN THE SECOND HALF OF 1977 WILL

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RESULT IN AN ACCELERATION OF IMPORT GROWTH FROM 8.3  
PERCENT FOR THE FIRST HALF TO ABOUT 8.7 PERCENT FOR THE  
TOTAL YEAR.

4. SERVICES:  
THE SERVICES DEFICIT, WHICH INCLUDING THE HIGHLY UN-  
PREDICTABLE TRADE ADJUSTMENT FACTOR MORE THAN DOUBLED  
DURING THE FIRST HALF OF 1977, APPEARS HEADED FOR A  
SIZEABLE INCREASE IN 1977. AN INCREASE IN GERMAN TRAVEL  
ABROAD AND RISING PRIVATE DIRECT INVESTMENT INCOME OUTFLOWS  
APPEAR THE MAJOR FACTORS IN THIS DEVELOPMENT. THE  
TABLE BELOW SHOWS ACTUAL DEVELOPMENTS FOR 1976 AND  
THE EMBASSY ESTIMATES FOR 1977 BASED ON RESULTS IN THE  
FIRST FOUR MONTHS FOR WHICH DETAILED FIGURES ARE  
AVAILABLE.

SERVICES EXPENDITURES

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## 1976 1977 FORECAST

	1976	1977 FORECAST
TRAVEL	22.3	23.9
TRANSPORTATION	8.4	8.9
INSURANCE	2.1	2.0
INVESTMENT INCOME	11.8	14.5
OF WHICH:		
PRIVATE DIRECT		
INVESTMENT	5.0	6.8
PORTFOLIO INVESTMENT	2.3	2.4
OTHER CREDITS	4.1	4.7
OFFICIAL	0.3	0.6
GOVERNMENT PAYMENTS	2.2	2.4
OTHER (1)	22.4	23.9
TOTAL	69.1	75.6

## SERVICES REVENUES

## 1976 1977 FORECAST

	1976	1977 FORECAST
TRAVEL	8.1	8.2
TRANSPORTATION	14.1	15.5
INSURANCE	2.1	2.0
INVESTMENT INCOME	14.0	14.3
OF WHICH:		
PRIVATE DIRECT INVEST.	1.8	1.8
PORTFOLIO INVESTMENT	1.3	1.5
OTHER CREDITS	5.4	5.8
OFFICIAL	5.4	5.8
GOVERNMENT PAYMENTS	8.9	10.1
OTHER (1)	14.0	15.0

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	1976	1977 FORECAST
TOTAL	61.2	65.1

(1) INCLUDES: COMMISSION FEES, TRADE FAIRS, LICENSES  
AND PATENTS, PERSONAL SERVICES, OVERHEAD EXPENSES,  
CONSTRUCTION AND ASSEMBLY WORK, REPAIRS AND OTHER.  
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**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
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**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
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**Subject:** EMBASSY FORECAST OF 1977 GERMAN CURRENT ACCOUNT  
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**To:** STATE TRSY  
**Type:** TE  
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**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
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